

Notes to General Purpose Financial Statements

Year Ended June 30, 2001

Note I. Leases and Agreements

The Water Agency entered into a lease agreement on December 1, 1995 with the Sonoma County Water and Wastewater Financing Authority. The Sonoma County Water and Wastewater Financing Authority ("the Authority") is a joint powers authority created to provide financial assistance to the Water Agency by constructing and financing the Forestville and Graton Regional Wastewater Facilities Improvement Project, and by leasing these improvements to the Water Agency. The Authority is administered by the Board, whose members are the Board of Supervisors of the County, acting in its ex-officio capacity as the Board of Directors of the Water Agency.

The financing terms of this lease agreement have been disclosed in Note J as a capital lease payable.

Operating Lease

The Water Agency has a lease agreement for office facilities through May 2002. The lease contains an option to extend the lease term for three additional years. Operating costs and property taxes on the leased premises are included in the rental payments. Rental expense for 2001, amounted to \$329,279. Future minimum lease payments are as follows:

Year ending June 30, 2002	\$ 270,617
	<u>\$ 270,617</u>

Note J. Long-Term Obligations

Debt at June 30, 2001, consists of the following:

	Enterprise Funds	General Long-Term Debt Account Group
General obligation bonds	\$ 752,000	\$ -
Capital lease payable	881,545	-
Water revenue bonds	8,840,000	-
Long-term contracts payable	-	114,871,428
Compensated absences	-	1,290,674
	<u>\$10,473,545</u>	<u>\$ 116,162,102</u>

Notes to General Purpose Financial Statements

Year Ended June 30, 2001

Note J. Long-Term Obligations (continued)*Enterprise Funds*

General Obligation Bonds

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Authorized & Issued</u>	<u>Outstanding June 30, 2001</u>
<u>Sanitation Zones</u>				
1976 Graton	2016	5%	\$ 350,000	\$ 206,000
1977 Penngrove	2017	5%	300,000	197,000
1980 Geyserville	2020	5%	500,000	349,000
Total outstanding				752,000
Less current maturities				(29,000)
<u>Long-term obligation</u>				<u>\$ 723,000</u>

Sanitation General Obligation Bonds are repaid from tax revenues.

Capital Lease Payable -- Revenue Bonds, Series 1995

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Authorized & Issued</u>	<u>Outstanding June 30, 2001</u>
Forestville and Graton Regional Wastewater Facilities Improvement Project Revenue Bonds, Series 1995				
	2016	6.5%	\$ 1,031,364	\$ 881,545
Less current maturities				(36,160)
<u>Long-term obligation</u>				<u>\$ 845,385</u>

The Forestville and Graton Regional Wastewater Facilities Improvement Project Revenue Bonds, Series 1995 are to be paid from the sewer revenues of the Graton Sanitation Zone, with interest payments made semi-annually.

Notes to General Purpose Financial Statements

Year Ended June 30, 2001

Note J. Long-Term Obligations (continued)

Enterprise Funds (continued)

Water Revenue Bonds

	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2001</u>
1971 Revenue Bonds, Series 1993A California Statewide Communities Development Authority (CSCDA)	2003	2.5 - 5.375%	\$ 10,060,000	\$ 2,270,000
2000B Revenue Bonds	2026	4.0 - 5.65%	6,570,000	6,570,000
				8,840,000
Less current portion				(1,365,000)
				7,475,000
Less unamortized discount				(56,034)
Long-term payable, net of discount				\$ 7,418,966

The terms covering the 1971 Series 1993A Water Revenue Bonds provide that the revenue be pledged and deposited with a trustee for the security and payment of interest and principal on the bonds. In addition, the use of revenue is limited to the priorities set forth in Article V of the Bond Ordinance No. 1, adopted December 28, 1970 and as amended. While these bonds are outstanding, the Water Agency may not create any liens upon, or sell, or otherwise dispose of the Water System or any property essential to the proper operation of the Water System or to the maintenance of the revenue.

The terms covering the CSCDA 2000 Water and Wastewater Revenue Bonds provide that the revenue be irrevocably pledged and deposited with a trustee for the security and payment of interest and principal on the bonds. In addition, this pledge shall constitute a first lien on the revenues and such other money for the payment of the bonds. All funds and accounts held under this bond are required to be used for investments authorized by the CSCDA.

General Long-Term Debt Account Group

<u>Long-Term Contracts Payable</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2001</u>
1986 Federal contract payable	2034	3.225%	\$ 102,371,000	\$ 114,871,428

The terms of the agreement with the Department of the Army Corps of Engineers stipulates that interest accrued on the contract prior to the time of the first payment be compounded annually and added to the principal. As a result of adding the accrued interest, the General Long-Term Debt Account Group was increased by \$2,335,766 for 2001. This addition does not affect the operating funds of the Water Agency.

Notes to General Purpose Financial Statements

Year Ended June 30, 2001

Note J. Long-Term Obligations (continued)

General Long-Term Debt Account Group (continued)

Annual payments on the contract commenced on November 1, 1993, and will continue until 2034. The annual payments will include principal and interest at a rate of 3.225%. The payments of principal and interest are currently funded by property tax revenues of the Water Agency. The amount of the payments began at \$930,562 and will increase to \$6,285,571 during the life of the contract.

Compensated Absences

At June 30, 2001, vested vacation and an accrual for vested sick leave for governmental fund types amounted to \$1,552,046. Compensated absences expected to be liquidated with expendable, available resources amounted to \$261,372, and are recorded in the General Fund. The balance of the obligation in the amount of \$1,290,674 is recorded in the General Long-Term Debt Account Group.

Changes in Long-Term Obligations

A summary of changes in long-term obligations is as follows:

	<u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2001</u>
<u>Enterprise Funds</u>				
General Obligation Bonds \$	779,000	\$ -	\$ 27,000	\$ 752,000
Capital Lease Payable --				
Revenue Bonds,				
Series 1995	915,465	-	33,920	881,545
Water Revenue Bonds				
Series 93A	3,430,000	-	1,160,000	2,270,000
Series 2000B	-	6,570,000	-	6,570,000
Total Enterprise Funds	5,124,465	6,570,000	1,220,920	10,473,545
<u>General Long-Term Debt</u>				
Long-term contracts payable	113,180,640	2,335,766	644,978	114,871,428
Compensated absences	1,167,999	1,269,344	1,146,669	1,290,674
Total General Long-Term Debt	114,348,639	3,605,110	1,791,647	116,162,102
Total outstanding	\$ 119,473,104	\$ 10,175,110	\$ 3,012,567	\$ 126,635,647

Notes to General Purpose Financial Statements

Year Ended June 30, 2001

Note J. Long-Term Obligations (continued)

Annual Requirements

The annual principal and interest requirements on the long-term debt outstanding at June 30, 2001 (excluding compensated absences), are as follows at June 30 of each year listed:

Year Ending June 30,	General Obligation Bonds	Capital Lease Payable	Water Revenue Bonds	Long-Term Contracts Payable	Total
2002	\$ 65,875	\$ 92,883	\$ 1,807,748	\$ 3,255,165	\$ 5,221,671
2003	64,425	92,882	1,551,627	3,255,165	4,964,099
2004	65,900	92,883	472,016	3,255,165	3,885,964
2005	64,300	92,882	470,858	3,255,165	3,883,205
2006	64,650	92,883	474,307	3,255,165	3,887,005
Thereafter	803,750	928,827	9,826,561	182,281,573	193,840,711
Total debt	1,128,900	1,393,240	14,603,117	198,557,398	215,682,655
Interest	(376,900)	(511,695)	(5,763,117)	(83,685,970)	(90,337,682)
Principal	\$ 752,000	\$ 881,545	\$ 8,840,000	\$ 114,871,428	\$ 125,344,973

Note K. Segment Information for Enterprise Funds

The Water Agency has two Enterprise Funds which provide sanitation and water transmission to citizens of the County. Segment information on the operations of these funds for the year ended June 30, 2001, is as follows:

	Sanitation Funds	Water Transmission Funds	Total
Operating revenue	\$ 2,109,768	\$ 21,538,924	\$ 23,648,692
Depreciation and amortization expense	642,183	2,137,746	2,779,929
Operating loss	(137,707)	(1,847,351)	(1,985,058)
Operating transfers in	-	2,000,000	2,000,000
Tax revenue	43,807	-	43,807
Net income	723,193	4,052,493	4,775,686
Current capital contributions	741,940	-	741,940
Fixed asset additions, net	6,738,779	7,787,335	14,526,114
Net working capital	10,715,306	35,193,726	45,909,032
Total assets	36,890,809	130,075,744	166,966,553
Long-term debt payable from operating revenue	8,272,157	2,306,466	10,578,623
Equity	27,521,031	121,892,868	149,413,899